

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

June 17, 2008

The Capital Projects and Bond Oversight Committee met on Tuesday, June 17, 2008, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Mike Denham, Chair, called the meeting to order.

Present were:

Members: Representative Mike Denham, Co-Chair; Senator Elizabeth Tori, Co-Chair; Senators Tom Buford, Jerry Rhoads, and Dan Seum; and Representatives Steven Rudy and Jim Wayne.

Guests testifying before the Committee: John Hicks, Governor's Office for Policy and Management; Jim Abbott and Nancy Brownlee, Finance and Administration Cabinet; David Worley, Department of Veterans' Affairs; Tony Wheatley, Department of Fish and Wildlife Resources; Mitchell Payne, Mike Curtin, and Jason Thomlinson, University of Louisville; Greg Phillips, Hilliard Lyons; Bob Wiseman, University of Kentucky; Terri Fugate, Office of Financial Management; Katie Smith, Economic Development Cabinet; and Sandy Williams, Kentucky Infrastructure Authority.

LRC Staff: Nancy Osborne, Shawn Bowen, Kristi Culpepper, Pat Ingram, Don Mullis, and Lesa Prewitt.

Representative Denham asked Nancy Osborne, Committee Staff Administrator, to review the information items. At the last Committee meeting, the Staff Update included a news report that the Kentucky Higher Education Student Loan Corporation (KHESLC) had suspended loans to first-time borrowers effective May 1 due to the national credit crunch. It is now being reported that KHESLC has resumed accepting loan applications based upon guidance from the federal Department of Education with the goal to make loans available after July 1. It was also noted that in January 2008, the Committee approved the issuance of up to \$1.35 billion of student loan revenue and refunding bonds. KHESLC is currently marketing that transaction, and a follow-up report to the Committee is anticipated in July or August.

It was also reported that in May, the United States Supreme Court ruled to uphold the constitutionality of Kentucky's laws governing municipal bond taxation in the case of *Davis v. Department of Revenue*. In that case, it was alleged that the state's method of exempting in-state municipal bonds from taxation while simultaneously taxing out-of-state municipal bonds violated the Commerce Clause of the U.S. Constitution. The state's

Finance Cabinet Secretary was quoted in a news article that the Court's decision will avoid a \$25 million liability for the Commonwealth.

It was also reported that the University of Louisville (U of L) athletic department has begun to advance sell 2,000 club seats for future U of L basketball games in the downtown Louisville Arena, scheduled to open in November 2010. Ticket sales commenced after the Louisville Arena Authority announced Assured Guaranty would insure \$360 million in bonds for the arena project. A follow-up report will be submitted to the Committee when the bonds are sold.

The last item noted was that Kentucky has been selected as one of 20 states to participate in the National Governor's Association "Greening State Capitols" program. Under the program, which is co-sponsored by Wal-Mart, an energy audit will be conducted of Kentucky's Capitol Complex followed by recommendations on how to reduce energy consumption.

Noting that a quorum was present, Representative Denham asked the secretary to call the roll. Representative Rudy made a motion to approve the minutes of the May 14, 2008, meeting. The motion was seconded by Senator Tori and approved by voice vote.

Representative Denham next asked John Hicks, Deputy Budget Director, Governor's Office for Policy and Management (GOPM), and Jim Abbott, Commissioner, Department for Facilities and Support Services, to present the monthly project report submitted by the Finance and Administration Cabinet.

Mr. Hicks first reported a \$1,500,000 unbudgeted project for the Kentucky Department of Veterans' Affairs (KDVA). The project will entail renovation of three units, Roosevelt, Washington, and Lincoln, at the Thomson-Hood Veterans Center in Wilmore. The funding sources include \$975,000 (65%) federal funds and \$525,000 (35%) from KDVA restricted funds. KDVA funds are from the project account established in May 2005 (\$427,700), maintenance pool funds (\$56,500), and excess agency restricted funds (\$40,800).

Mr. Hicks said in May 2005, a similar unbudgeted project to renovate Thomson-Hood was approved by the Committee at a scope of \$1,222,000. The project did not move forward because federal funds from the U.S. Department of Veterans' Affairs were not received and the project's authority lapsed. Federal funds are now available.

In response to questions from Representative Denham, Mr. Hicks said the commitment of federal funds for the project is firm. David Worley, Executive Director for the Office of Kentucky Veterans' Centers, Department for Veterans' Affairs, said renovations are to begin this fall.

Representative Wayne said he was glad the federal government is sharing in the cost of this project; however, he strongly felt that this project should be funded 100% with federal funds and the project should be owned and managed by the federal government. He expressed concern that the state cannot afford this project, and that the federal government has the duty to care for these federal veterans that served the nation. He said he would vote to approve the project because he supported the veterans, but he thought this was not sound public policy.

Representative Rudy made a motion to approve the project. The motion was seconded by Senator Rhoads and approved by unanimous roll call vote.

The next report Mr. Hicks presented was an allocation of \$646,200 from the Department of Fish and Wildlife Resources' Land Acquisition Pool for the acquisition of approximately 325 acres in Henderson County. The property adjoins the Department's Sloughs Wildlife Management Area, a 10,000 acre natural wetlands located along the Ohio River. The property is being acquired from the Conservation Fund.

In response to questions from Representative Wayne, Mr. Tony Wheatley, Staff Assistant, Department of Fish and Wildlife Resources, said the Conservation Fund is based in Maryland and is an environmental non-profit organization that performs conservation-related activities in the lower Mississippi region involving wetlands. He said the Conservation Fund is a reputable organization with a history of being strong advocates and stewards of protecting natural areas. Representative Wayne said this sounded like a good project, and he thanked Mr. Wheatley for the good work.

Representative Denham asked if the state appraised the property. The Commissioner of the Department for Facilities and Support Services, Jim Abbott, responded affirmatively that the project went through the normal property acquisition process. He added that the Finance Cabinet has worked with the Department of Fish and Wildlife Resources and various other state agencies and non-profit organizations to coordinate these types of land acquisitions to avoid price escalation. He said a non-profit can purchase land faster than the state. The Commonwealth works with like-minded organizations to acquire sensitive natural areas in a manner that allows the state at a later date to purchase the property from them at or below market value. Mr. Abbott said this method of land acquisition has worked well in the past, and will continue to be used in the future. No Committee action was required.

Representative Denham next asked Mitchell Payne, Associate Vice President for Business Affairs, U of L, to discuss a lease report. Mr. Payne reported a lease between the U of L School of Dentistry and the U of L Medical School Practice Association, d/b/a University Physician Associates. The space will house the dental school's clinical operations.

Mr. Payne said in response to its advertisement in the Louisville *Courier-Journal*, the university received one proposal. The offered space is adjacent to the School of Dentistry building and was secured for a rental rate that is less than the current market value for that area. The lease has an annual cost \$105,016.

Representative Wayne said he recently toured the School of Dentistry and noticed that the facility is outdated. He asked why the university is leasing space instead of constructing new space. Mr. Payne said the existing facility is undergoing a multi-phased renovation project that is to be completed in 2011. He said a final determination regarding what space will be used for the dental clinic operations will be made in 2011.

Representative Wayne asked if this would be a transitional lease as the university looks to more permanent teaching facilities. Mr. Payne responded affirmatively.

Representative Wayne made a motion to approve the lease. The motion was seconded by Senator Seum and passed by unanimous roll call vote.

Representative Denham next recognized Bob Wiseman, Vice President for Facilities Management, University of Kentucky (UK). Mr. Wiseman reported a lease renewal with Kentucky Utilities Company (KU) for space for the Colleges of Engineering, Agriculture, Pharmacy, Medicine, Social Work, and the Interdisciplinary Human Development Institute. The lease for office and classroom space is located on One Quality Street in downtown Lexington. The new rate for the 49,026 SF space is \$6.30 SF, or \$308,863 annually.

Mr. Wiseman said this lease represents a corporate commitment on the part of KU in cooperation with UK's athletics department. In exchange for a reduced annual rental rate, the university agrees to provide in-kind services to KU with an estimated value of \$192,000 annually. The services include advertisement on signage at Rupp Arena, Commonwealth and Cliff Hagan Stadiums, and the Shively Outdoor Track and Field Complex, and advertisement on the UK Athletics' website.

Representative Wayne asked how documentation of the in-kind services was made. Mr. Wiseman said the athletics department prepares a list of in-kind services to be provided and an assessment of the services' market value. He said this is an opportunity cost to the athletics department rather than a direct payment. The only direct payments made from athletics are for the signs.

In response to a question from Representative Wayne, Mr. Wiseman said UK did not readvertise the lease when it was discovered the newspaper ad was incorrect. The ad was for 23,000 to 25,000 SF, when the actual needed spaced was slightly over 49,000 SF. He said the incorrect square footage was either submitted to the newspaper in error by UK or it came back as a proof from the newspaper that UK officials did not catch. Mr.

Wiseman said UK advertised for this project twice. KU did not know they needed to respond to the advertisement; therefore, there were no responses to the first ad. He noted KU was the only respondent to the second ad.

Senator Tori said while the rate per SF being paid directly by UK is increasing only 5%, the value of the in-kind services has increased about 100%. She asked why the value of the in-kind services has increased so much. Mr. Wiseman said the value of stadium advertising and other services have increased since established in 2002. He said the in-kind services provide a value of \$3.92 per SF, which is in addition to the \$6.30 per SF monetary payment being made to KU under the lease.

Representative Rudy made a motion to approve the lease. The motion was seconded by Representative Wayne and approved by unanimous roll call vote.

Mr. Wiseman expressed that this was an impressive commitment from one of the state's largest corporate citizens, and from the UK athletic department in support of university academic programs.

Nancy Brownlee, Director, Division of Real Properties, came to the table to discuss lease reports. Ms. Brownlee first reported a lease modification for the Office of the Attorney General in Franklin County (PR-3799). She said the modification was for the conversion of a smoking room into additional office space and ADA improvements. The cost of the modifications is \$6,064 and will be amortized over the remaining lease term (through June 30, 2013). No action was required by the Committee.

Ms. Brownlee next presented an emergency lease for the Cabinet for Health and Family Services (CHFS) in Fayette County (PR-4916). The Cabinet occupies 15,367 SF of space in Building 25 at the federal Veterans' Affairs (VA) Medical Center on Leestown Road at an annual cost of \$215,167. The state agency will relocate to 12,387 SF of leased office space at 455 Park Place in Lexington. The annual cost of the lease, \$157,934, represents a \$57,233 decrease in annual leasing costs.

During efforts to renew the lease, the federal VA made known its plans to utilize the space for its own operations. Ms. Brownlee said a one-year extension of the lease was requested; however, the VA advised that a lease extension would require reimbursement for all costs associated with renting temporary space for VA operations. For this reason, CHFS requested and received approval from the Finance and Administration Cabinet to proceed with the emergency lease procurement process.

In response to a question from Representative Denham, Ms. Brownlee said the current lease houses a total of 49 staff from the Office of Inspector General and the Department of Mental Health and Mental Retardation (MHMR). MHMR staff will be

relocated to leased office space Frankfort, and staff from the Office of Inspector General will be relocated to the new space. No action is required by the Committee.

The next item of new business was a presentation from U of L regarding the issuance of Louisville Metro Government Revenue Bonds, Series A and B, to fund the Papa John's Cardinal Stadium Expansion project. Representative Denham asked Ms. Osborne to first provide an overview of other postsecondary institution projects that have been financed using a third-party entity to issue the debt, as is being done for this project to expand U of L's football stadium.

Ms. Osborne said three universities, Western Kentucky University, Northern Kentucky University, and Murray State University, have outstanding debt associated with projects financed through third-party conduit bond issues that are tax-exempt. The university is ultimately responsible for debt service payments through the project's revenue streams, such as user fees.

In 2000, Western Kentucky University (WKU) sold its 17 dormitories to a non-profit corporation, the WKU Student Life Foundation; approximately \$65 million is outstanding on the associated transaction. Western Kentucky University also used a third-party conduit to finance the Diddle Arena renovation; about \$31.8 million is outstanding. Murray State University's Wellness Center has a \$9.2 million outstanding balance. In these instances, the third-party entity was the associated local government.

In 2002, Northern Kentucky University issued Certificates of Participation through a bank to finance a student housing project authorized by the 2002 General Assembly.

It was also noted that in May, the University of Kentucky (UK) received approval by the Committee to refund conduit bonds issued by the Lexington-Fayette Urban County Government to finance the UK library project. The \$37.8 million in outstanding bonds is to be refunded through the UK General Receipts bond program.

Mike Curtin, U of L Vice President for Finance, Jason Tomlinson, UofL Assistant Vice President for Finance, and Greg Phillips, Financial Advisor, Hilliard Lyons, were invited to the table to discuss the proposed Louisville Metro Government Revenue Bonds, Series A and B (University of Louisville Papa John's Cardinal Stadium Expansion Project) in the amount of \$72,000,000. The project was authorized in 2008 House Bill 406 (2008-2010 budget) for the current fiscal year (FY 2007-08) utilizing restricted funds of \$5,000,000 and other funds of \$67,000,000.

Mr. Curtin said this project will add about 15,000 additional seats to the stadium - 2,000 premium club seats for the Brown and Williamson Club, 45 luxury suite boxes, and 12,500 upper concourse seats for the general public and students. He said most of the project will be financed through the sale of seat licenses and ticket price increases. High-

end patrons will pay the majority of the cost for this project, which allows the university to reduce prices or distribute free tickets in some cases for the upper concourse general admission seats.

Mr. Curtin said in addition to the \$67 million Other Funds authorized for this project, U of L will contribute \$5 million cash. John Schnatter, founder of Papa John's Pizza, will contribute \$10 million (an equal combination of personal and company funds.) Other major donors in Louisville are anticipated to contribute to the project over the next ten years.

The university will issue \$40 million in bonds for a 20-year term. The proceeds will refund outstanding Papa Johns Cardinal Stadium bonds originally issued through the City of Louisville, provide funds to expand the stadium, and pay costs of issuance. Mr. Curtin said part of the appeal of utilizing the Louisville Metro Government is the fact that the financial deal will be backed by the U of L Cardinal Athletic Fund (Athletic Fund) and the U of L Foundation (Foundation) and not the local government. The Commonwealth is not a party to the bond issuance.

Senator Seum asked why the university decided to issue conduit bonds. Mr. Curtin said U of L had made a commitment to the Commonwealth that it would not request an authorization for this project that would impact the state's debt capacity. When project authorization was sought from the 2006 General Assembly, the Louisville Metro Government had agreed to issue the bonds for the university.

Senator Seum asked who was responsible for the debt on the bonds. Mr. Curtin said the first lien on revenues comes from the Athletic Fund. He said if there is a bond default, the bond holders would look to the Athletic Fund first and the Foundation second. The statutory state intercept provision does not apply to this project.

In response to questions from Senator Seum, Mr. Curtin said the Foundation is responsible for the debt, not the state. He said this debt would not be reflected as part of the university's debt.

Representative Wayne asked if the university was accruing extra financing costs by using conduit financing versus issuing the debt under the university's general receipts program. Mr. Curtin said the university will incur no additional costs by issuing debt in this manner. Representative Wayne asked if the rating agencies consider this debt part of the university's debt capacity. Mr. Curtin said they do not.

Representative Wayne said he understood that the U of L Foundation's operations and records were not transparent, and asked if the Cardinal Athletic Fund was subject to the state open meetings/open records laws. Mr. Curtin said the Athletic Fund was an affiliated corporation of the university and as such is considered to be a component unit

and subject to state laws. Mr. Curtin said the courts have found that the Foundation is also an open records/open meeting organization, but exempts from disclosure names of those individuals who have requested to remain anonymous.

In response to another question from Representative Wayne, Mr. Curtin said this deal is based on the good credit and faith on the Foundation, which has approximately \$800 million in endowment funds and \$100 million in liquid assets. Senator Seum observed that the Foundation had a multi-million endowment but had to raise tuition.

Representative Wayne asked why the university decided not to issue general receipts bonds for this project. Mr. Curtin said they did not want to burden the university with the additional debt. No Committee action was required for this conduit bond being issued by a non-state entity.

Next, Terri Fugate, Deputy Executive Director, Office of Financial Management, (OFM), discussed a new bond issue: U of L General Receipts Bonds, 2008 Series A, \$88,045,000. Ms. Fugate said the proceeds from this bond issue will provide for the construction of three projects authorized in 2008 HB 406 (2008-10 budget): Construct Health Sciences Parking Structure II (\$30,700,000), Construct Health Sciences Campus Research III Additional - Clinical and Translational Building (\$15,800,000), and Expand and Renovate Dental School (\$38,700,000).

Mr. Curtin noted the dental school, built in 1970 when U of L entered the state's system, is in dire need of refurbishment. This renovation will also add a wing to the school. As noted in the earlier discussion today of U of L's lease, the Dental School is moving its private practice operations from its current location to a new private practice facility owned and operated by the University Physician's Group. Dentists who are employed by the university will now lease space in the same facility with similarly situated physicians to run their private practices. This will free up space in the Dental School for academic programs.

Representative Wayne asked if the university receives any compensation from such medical professionals' private practice. Mr. Curtin replied affirmatively. He explained that the situation is very complicated because dentists/doctors also have clinical practices to treat indigent patients. Funds are generated from the patients who can afford to go to private dentists. Representative Wayne complimented the university on providing services to indigent patients.

Senator Buford made a motion to approve the bond issue. The motion was seconded by Senator Seum and approved by unanimous roll call vote.

Ms. Fugate next discussed Kentucky Asset/Liability Commission Project Notes, 2005 General Fund Series B, Fourth Supplement, not to exceed \$1.4 billion. This

supplement adds the Morehead State University - Replace Power Plant Pollution Control System and Boiler Tube project in the amount of \$5,700,000. This project will be added to a list of projects to be financed through an interim funding plan known as the Project Notes Program. At this juncture, the Program has commercial paper outstanding in the amount of \$200 million to offset the expenditures of many projects.

In response to a question from Representative Denham, Ms. Fugate said the \$1.4 billion will fund state projects authorized by the 2005, 2006, and 2007 General Assembly, and this Morehead State University project authorized in the current fiscal year (FY 2007-08) by the 2008 General Assembly. She said the Project Notes Program provides funding for projects that have not yet been permanently financed.

Senator Rhoads made a motion to approve the project. The motion was seconded by Senator Buford and approved by unanimous roll call vote.

Next, Ms. Fugate presented a follow-up report for a previously approved bond issue for State Property and Buildings Commission Revenue Bonds, Project No. 89, \$205,080,000. The bond issue was approved at a previous Committee meeting, and no further action was required.

Representative Denham asked Ms. Fugate for an update on the state's bond ratings. Ms. Fugate said Standard and Poor's maintained a positive rating for the state. The state had been at a stable outlook for both Moody's and Fitch, but due to potentially short revenues and a diminished rainy day fund, both rating agencies put the Commonwealth on a negative outlook. She said a negative outlook means the rating agencies are watching the state's financial position; it does not mean there will be a change in the bond rating.

Representative Denham asked if there was a possibility that they would upgrade the negative outlook to positive. Ms. Fugate said each time the state issues bonds, the rating agencies review the state's financial position.

Representative Denham next asked Katie Smith, Deputy Commissioner for the Department of Financial Incentives, Cabinet for Economic Development, to report an Economic Development Bond (EDB) grant.

Ms. Smith reported an EDB grant of \$500,000 to Matrix Engineering, PLLC, located in Paducah. The grant will be used to purchase and assemble two mobile test units that will assist Matrix in providing its services to clients on-site. The units will allow the company to expand its client base to include gypsum and brick companies.

Senator Tori made a motion to approve the project. The motion was seconded by Representative Rudy and approved by unanimous roll call vote.

Ms. Fugate presented four new school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Anderson County, Berea Independent (Madison Co.), Rowan County, and Webster County.

Representative Wayne made a motion to approve the school bond issues. The motion was seconded by Senator Seum and passed by unanimous roll call vote.

Next, Ms. Osborne reported one locally-funded school bond issue submitted to the Committee for review this month for the Cumberland County School District. She said all disclosure information has been filed, and no further action on the bond issue was required.

Representative Denham next asked Sandy Williams, Kentucky Infrastructure Authority (KIA), to come to the table. Ms. Williams presented one KIA Fund A (Federally-Assisted Wastewater Revolving Loan Fund) loan for the Committee's approval for \$17,848,000 for the City of Williamstown, Grant County. The loan proceeds will be used to assist in funding an \$18,748,000 project to build a new two million gallons per day wastewater treatment plant. The loan will be at 1% for 20 years.

Ms. Williams said KIA anticipated this project would be presented at the March KIA board meeting, but it was actually approved at KIA's April meeting. It was held to allow the City of Williamstown and the City of Dry Ridge, which buys its water from the City of Williamstown, sufficient time to assess their willingness to implement the substantial rate increases needed to cover the debt service on this loan. She said officials of both local governments met jointly and concurred that the project is needed; they were willing to support the project and the necessary rate increases. This project will be funded from present year KIA Fund A funds and will not rely on future year repayment funds or leverage funds.

Senator Buford noted the debt per customer would increase from approximately \$500 to \$16,000. He asked if this increase would affect rates. Ms. Williams said it will increase rates and customer bills are anticipated to go from about \$22 to about \$55 for a monthly usage of 4,000 gallons.

Senator Buford asked if the water system is in the process of being fined. Ms. Williams said no state fine is involved, and the project is mainly to address anticipated growth and to meet clean water standards.

Senator Buford said there are about 1,000 customers and the KIA staff analysis indicates that no new customers will be added based on this project. Ms. Williams said the cash flow analysis review was done conservatively.

Representative Denham said the City of Williamstown may need the project because of the anticipated growth along the I-75 corridor. He asked if the entities along I-75 were in support of this project. Ms. Williams replied affirmatively.

Senator Seum asked if the citizens were aware of the project and of the cost increase. Ms. Williams said the cities of Williamstown and Dry Ridge held a public joint city council meeting to discuss the project.

Senator Seum asked if the Williamstown City Council approved the project. Ms. Williams said the city council indicated their willingness to raise the rates, which is a condition of the loan. The rate increase ordinance has not yet been approved.

Ms. Williams noted that a \$55 per month sewer bill based on 4,000 gallons is not substantially different than other cities' rates, such as the cities of Richmond and Frankfort.

Senator Tori asked were there alternatives to raising the rates to such a large degree. Ms. Williams said the City of Williamstown was actually in the process of trying to secure additional grant funds, from both federal and state sources.

Senator Tori asked if this project is an emergency, and if not, could the city wait until they get grant funds. Ms. Williams said the city believes if it waits, it will incur the average 10-12% increase in construction costs that would increase the project's cost. The project cannot start construction until the funding package is in place. At this time, the only funding source other than KIA Fund A is a 2007 HB 380 grant of \$900,000. She said it is the City's goal, while the project is being designed and constructed, to secure funds from the federal government through special appropriation grants and through the community development block grant program through the state.

Senator Seum said he assumed the loan will not be executed until the city approves the rate increases. Ms. Williams said that is correct.

Senator Seum commented that the city council will have to approve these rate increases before they get the money. He said that citizens would have some input into this decision at that point. Ms. Williams said that is correct.

Representative Wayne said he was glad the Committee was closely reviewing this project. He observed there often is momentum on certain projects that overwhelms a community forum. He suggested that the Committee not approve this project and send it to the appropriate officials for a second look. He said there is time for further review since the deadline for action on the rate increase is September 2008.

Representative Denham requested a motion to approve the project. No motion was made, and the project's loan was not approved. He expressed his concern that if the local citizens have community input and are in support of this project, then it was an approvable item. The Committee's concerns for further review would be communicated to the Secretary of Finance and possibly the loan can be brought back to the Committee next month.

Ms. Williams next reported a Fund B loan (Infrastructure Revolving Loan Fund with state-supported debt service) for the City of Walton in Boone County in the amount of \$1,000,000. The funds will be combined with other funding for a total project amount of \$4,000,000 to expand and renovate its existing sewer treatment plant. The interest rate is 0.60% and the term is 20 years.

Senator Seum commented the average bill for 4,000 gallons will increase from \$25 to \$35 for this Boone County project. When compared with the City of Williamstown, the same 4,000 gallons will cost \$55.

Representative Wayne made a motion to approve the Fund B loan. The motion was seconded by Senator Buford and approved by unanimous roll call vote.

The next request Ms. Williams reported was a Fund C loan (Governmental Agencies Loan Fund) for the Northern Kentucky Water District in Kenton and Campbell Counties in the amount of \$6,000,000 to purchase and install a new transponder system. The loan has an interest rate of 3% and a term of 10 years.

Senator Buford made a motion to approve the Fund C loan. The motion was seconded by Senator Rhoads and approved by unanimous roll call vote.

Ms. Williams next reported the allocation of unobligated bond pool funds of \$445,000 for two projects: \$295,005 for the Hancock County Fiscal Court to relocate a pump station and construct a water tower; and \$150,000 to the Mt. Sterling Water and Sewer Commission to construct sewer lines for an economic development project. These funds are available because the 2005 General Assembly authorized more bond funds for water and sewer projects than the total amount of line-item grants listed for these projects in the 2004-06 budget. With the approval of these grants, there will be \$3,424,775 remaining for grants to tobacco counties.

Representative Wayne asked how these projects were selected and if there was a public announcement made as to the availability of the funds. Ms. Williams said at the June 2008 meeting, KIA staff presented to the KIA Board a recommendation to submit regulations for the selection and approval of projects to receive these unobligated bond pool funds. The board then passed the resolution to allow staff to follow the process to promulgate administrative regulations. This was done as a result of recommendations

made at a previous Committee meeting regarding the process for allocating unobligated bond pool funds.

Representative Wayne asked if these two grants were processed under the old policy and that no further allocations would be submitted from this source until a process was in place. Ms. Williams said that was her understanding.

Senator Tori made a motion to approve the unobligated bond pool projects. The motion was seconded by Senator Buford and approved by unanimous roll call vote.

Ms. Williams next reported various coal/tobacco development grants that were funded through line-item appropriations from the General Assembly in 2003, 2005, 2006, and 2008.

Regarding grants to the City of Owenton, Senator Buford asked if the water system was technically owned by the Kentucky American Water Company or by the local government. He also asked if the project being financed, to construct a water intake on the Kentucky River is related to the proposed new drinking water treatment plant in Owen County. Ms. Williams said she would find out and let the Committee know.

Representative Denham asked if the grant to the City of Owenton project was in HB 380. Ms. Williams replied affirmatively. Representative Denham said he thought the water system was owned by the City of Owenton, but Senator Buford's question was an important one and the Committee needed to know the answer. He asked Ms. Williams to communicate her answer via letter to the Committee.

No Committee action was required for these grants.

Ms. Osborne said the Committee's next meeting is scheduled for July 15, 2008, at 1:00 p.m. in the Capitol Annex Building. With there being no further business, the meeting adjourned at 2:00 p.m.